

Message Text

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TO AMEMBASSY MEXICO IMMEDIATE

C O N F I D E N T I A L STATE 215074

EXDIS, FOR AMBASSADOR FROM ASSISTANT SECRETARY KATZ

E.O. 11652: GDS

TAGS: ENRG, MX

SUBJECT: NATURAL GAS - MEXICO

1. AMBASSADOR MARGAIN MET THIS MORNING WITH SECRETARY SCHLESINGER AT LATTER'S INVITATION. SCHLESINGER SAID THAT HE KNEW MARGAIN WAS RETURNING TO MEXICO AND WANTED HIM TO HAVE AN UP-TO-DATE UNDERSTANDING WHERE US STOOD ON NATURAL GAS QUESTION. HE EXPLAINED THAT WE NOW EXPECTED CONGRESS TO COMPLETE ACTION ON NATURAL GAS DEREGULATION BILL DURING SEPTEMBER AND HE RECALLED THAT FOLLOWING UNFORTUNATE SUSPENSION OF DISCUSSION ON MEXICAN GAS EXPORTS TO THE US, IT WAS AGREED THAT MATTERS SHOULD BE SET ASIDE PENDING ENACTMENT US LEGISLATION ON NATURAL GAS PRICES. HE WANTED MEXICAN GOVERNMENT TO KNOW THAT WITH EXPECTED CONGRESSIONAL ACTION ON NATURAL GAS BILL, WE WOULD BE READY TO RESUME DISCUSSIONS WITH MEXICAN GOVERNMENT WHENEVER IT WAS READY TO DO SO.

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2. SCHLESINGER WENT ON TO DESCRIBE PROBLEMS WE HAD HAD WITH THE PRICING FORMULA AND ESCALATION PROVISION. HE EMPHASIZED OUR UNDERSTANDING OF THE IMPORTANCE OF THE \$2.60 PRICE TO MEXICO AND POINTED OUT THAT THERE WERE VARIOUS WAYS IN WHICH MEXICAN POLITICAL INTERESTS COULD

BE MET WITHOUT DESTABILIZING OUR OWN SITUATION.

3. MARGAIN EXPRESSED GREAT INTEREST IN SCHLESINGER'S REMARKS. HE RECALLED THE HISTORY OF THE NEGOTIATIONS WITH THE COMPANIES, THE IMPACT OF SENATOR STEVENSON'S INTERVENTION AND THE POLITICAL PROBLEM THIS HAD CAUSED IN MEXICO. HE NOTED THAT, EVEN BEFORE PRICE ISSUE AROSE, THERE WAS A DEBATE IN MEXICO ON DESIRABILITY OF EXPORTING GAS. AT THAT TIME AVAILABLE OPTIONS WERE FLARING GAS OR EXPORTING. WITH THE DECISION TO USE MEXICAN NATURAL GAS DOMESTICALLY, THE ISSUE NOW TURNED TO ONE OF EXPORTING GAS SURPLUS TO MEXICAN NEED. THIS, HE FELT, WAS A FAVORABLE TURN OF EVENTS.

4. MARGAIN STATED THAT HE WOULD REPORT THE SECRETARY'S REMARKS TO PRESIDENT LOPEZ PORTILLO AND WAS HOPEFUL THAT AT AN APPROPRIATE TIME NEGOTIATIONS COULD BE RESUMED.

5. FOLLOWING THE MEETING MARGAIN GAVE ME A RIDE BACK TO THE DEPARTMENT AND NOTED IN CONVERSATION THAT HE WAS VERY IMPRESSED WITH THE SENSITIVITY SCHLESINGER HAD SHOWN TO THE MEXICAN PROBLEM. HE THOUGHT THAT THE SECRETARY'S MESSAGE WAS VERY IMPORTANT AND HE SAID HE WOULD SPEAK TO LOPEZ PORTILLO PERSONALLY ABOUT IT. CHRISTOPHER

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